

STRAWBERRY LAKEVIEW
SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Financial Statements

December 31, 2005 and 2004

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Honorable Administrative Board Members
Strawberry Lakeview Special Service District
Heber City, Utah

We have compiled the accompanying financial statements of Strawberry Lakeview Special Service District, a component unit of Wasatch County, as of and for the years ended December 31, 2005 and 2004, as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Strawberry Lakeview Special Service District.

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Hawkins Cloward & Simister, LC

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CERTIFIED PUBLIC ACCOUNTANTS

February 15, 2006

STRAWBERRY LAKEVIEW SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statements of Net Assets

December 31, 2005 and 2004

	2005	2004
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 1 and 2)	\$ 21,572	\$ 18,457
Accounts receivable	2,051	2,045
Total current assets	<u>23,623</u>	<u>20,502</u>
Noncurrent Assets		
Capital assets, net (Notes 1 and 3)	345,405	353,585
Total assets	<u>\$ 369,028</u>	<u>\$ 374,087</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 87	\$ 337
Due to other governmental entities (Note 6)	234	488
Total current liabilities	<u>321</u>	<u>825</u>
Noncurrent Liabilities		
Hookup fees payable (Note 5)	124,000	136,000
Total liabilities	<u>\$ 124,321</u>	<u>\$ 136,825</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 345,405	\$ 353,585
Unrestricted deficit	(100,698)	(116,323)
Total net assets	<u>\$ 244,707</u>	<u>\$ 237,262</u>

STRAWBERRY LAKEVIEW SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Charges for services	\$ 9,435	\$ 9,121
Hookup fees	15,000	15,000
Total operating revenues	<u>24,435</u>	<u>24,121</u>
Operating Expenses		
Materials, supplies, and services	8,972	9,959
Depreciation	8,180	8,180
Total operating expenses	<u>17,152</u>	<u>18,139</u>
Operating income	<u>7,283</u>	<u>5,982</u>
Nonoperating Revenues		
Interest income	<u>162</u>	<u>46</u>
Changes in Net Assets		
	7,445	6,028
Net assets – January 1	<u>237,262</u>	<u>231,234</u>
Net assets – December 31	<u>\$ 244,707</u>	<u>\$ 237,262</u>

STRAWBERRY LAKEVIEW SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statements of Cash Flows

For the Years Ended December 31, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities		
Receipts from customers	\$ 24,429	\$ 24,537
Payments to suppliers	(21,476)	(21,489)
Net cash provided by operating activities	<u>2,953</u>	<u>3,048</u>
Cash Flows from Investing Activities		
Interest income	162	46
Net cash provided by investing activities	<u>162</u>	<u>46</u>
Net increase in cash and cash equivalents	3,115	3,094
Cash and cash equivalents – January 1	<u>18,457</u>	<u>15,363</u>
Cash and cash equivalents – December 31	<u>\$ 21,572</u>	<u>\$ 18,457</u>
<i>Reconciliation of operating income to net cash provided by operating activities</i>		
Operating income	\$ 7,283	\$ 5,982
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	8,180	8,180
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	(6)	416
Decrease in accrued liabilities	(12,504)	(11,530)
Net cash provided by operating activities	<u>\$ 2,953</u>	<u>\$ 3,048</u>

**STRAWBERRY LAKEVIEW
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2005 and 2004

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements and notes are representations of Strawberry Lakeview Special Service District's (the District) management, which is responsible for their integrity and objectivity. They have been prepared in conformity with generally accepted accounting principles in the United States of America as prescribed by the Governmental Accounting Standards Board and present the financial position, the results of operations, and the cash flows of the District as of December 31, 2005 and 2004, and for the years then ended. This summary of significant accounting policies of the District is presented to assist in understanding the financial statements.

Reporting Entity

Strawberry Lakeview Special Service District is a business-type activity of the governmental entity Wasatch County, operated similar to a private business enterprise. The intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges for wastewater collection services.

Component Unit

Under the guidelines established by GASB 39, the District has been determined to be a component unit of Wasatch County for financial accounting purposes and is included as a blended component unit in the County's financial statements.

Basis of Accounting

The District follows all Governmental Accounting Standards Board (GASB) pronouncements. In addition, all Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinions pronouncements issued on or before November 30, 1989 are followed, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

STRAWBERRY LAKEVIEW
SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2005 and 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The District has only one proprietary fund as described below.

Enterprise Fund

The Enterprise Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Enterprise Fund's principal ongoing operations. The principle operating revenues of the District are charges to customers for wastewater collection services provided by the District. Operating expenses for the District include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Capital Assets

Capital assets are stated at cost for items purchased by the District and at estimated fair market value at the date of contribution, for items contributed to the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$500.

The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: sewer ponds and lines, 50 years; office equipment, 10 years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income for the period.

**STRAWBERRY LAKEVIEW
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2005 and 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The District does not write-off any receivables. Wasatch County passed an ordinance allowing the District to place a lien on any property with an overdue balance on the fees. The District will place a lien on the property if the account is ninety (90) days delinquent at September 1. The District will eventually collect the fees; therefore, an allowance for doubtful accounts is not recorded in the financial statements.

Budgeting

The District's governing board adopts a budget for each year prior to the beginning of the year. These budgets are amended during the year, as the board deems necessary, to accommodate current operations and are accepted by official vote of the board. The board did not amend the budget for the year ending December 31, 2005. However, the board did amend the budget for the year ending December 31, 2004.

Risk Management

The District is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions, and natural disasters. The District has retained the risk of loss and will fund claims as they occur. As of December 31, 2005 and 2004, no claims have been made.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The District defines cash and cash equivalents as all deposits in its checking account, and all highly liquid debt instruments purchased with a maturity of three months or less.

**STRAWBERRY LAKEVIEW
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2005 and 2004

NOTE 2 – DEPOSITS

Deposits

The District follows the requirements of the Utah Money Management Act (*Utah Code* Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the District to deposit funds in a “qualified depository.” The act defines “qualified depository” as any financial institution whose deposits are insured by an agency of the Federal Government which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of the Act, and who adheres to the rules of the Utah Money Management Council.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be recovered. The District’s policy for reducing this risk of loss is to comply with the rules of the Money Management Council. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized, therefore exposed to custodial credit risk. Deposits are not collateralized nor are they required to be by State statute. As of December 31, 2005 and 2004, the District’s bank balances were \$22,209 and \$18,457, respectively, all of which was insured by federal deposit insurance. The carrying amount of the deposits at December 31, 2005 and 2004 were \$21,572 and \$18,457, respectively. The District had no other deposits or investments as of December 31, 2005 and 2004.

NOTE 3 – CAPITAL ASSETS

In 1999, the District entered into an agreement with Strawberry Lake View, LLC (the LLC) to provide wastewater collections services for the 95 lots in the Strawberry Lakeview Development. The LLC contributed the sewer system pump and lines to the District with an estimated fair market value of \$400,500 on the condition that the District would reimburse the LLC for development costs at \$2,000 per hookup as the funds are received from the land owners. This agreement resulted in a net contribution of \$210,500 from the LLC. At December 31, 2005 and 2004 the hookup fees payable to the LLC were \$124,000 and \$136,000, respectively. See Note 5 for additional information.

**STRAWBERRY LAKEVIEW
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Notes to Financial Statements

December 31, 2005 and 2004

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2005 is as follows:

	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005
Capital assets, being depreciated				
Sewer system and pump lines	\$ 400,500			\$ 400,500
Office equipment	1,696			1,696
Total capital assets, being depreciated	<u>402,196</u>			<u>402,196</u>
Less accumulated depreciation				
Sewer system and pump lines	(48,060)	\$ (8,011)		(56,071)
Office equipment	(551)	(169)		(720)
Total accumulated depreciation	<u>(48,611)</u>	<u>(8,180)</u>		<u>(56,791)</u>
Capital assets, net	<u>\$ 353,585</u>	<u>\$ (8,180)</u>	<u>\$ -0-</u>	<u>\$ 345,405</u>

Capital asset activity for the year ended December 31, 2004 is as follows:

	Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004
Capital assets, being depreciated				
Sewer system and pump lines	\$ 400,500			\$ 400,500
Office equipment	1,696			1,696
Total capital assets, being depreciated	<u>402,196</u>			<u>402,196</u>
Less accumulated depreciation				
Sewer system and pump lines	(40,049)	\$ (8,011)		(48,060)
Office equipment	(382)	(169)		(551)
Total accumulated depreciation	<u>(40,431)</u>	<u>(8,180)</u>		<u>(48,611)</u>
Capital assets, net	<u>\$ 361,765</u>	<u>\$ (8,180)</u>	<u>\$ -0-</u>	<u>\$ 353,585</u>

STRAWBERRY LAKEVIEW SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2005 and 2004

NOTE 4 – ECONOMIC DEPENDENCY

Strawberry Lakeview Special Service District is economically dependent on the wastewater collection services it provides within its boundaries. The District received nearly one-hundred (100) percent of its revenues from wastewater collection and related services.

NOTE 5 – LONG-TERM LIABILITIES

Long-term liabilities for the year ended December 31, 2005 are as follows:

	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005	Due Within One Year
Hookup fees payable	\$ 136,000		\$ (12,000)	\$ 124,000	
Total long-term debt	<u>\$ 136,000</u>	<u>\$ -0-</u>	<u>\$ (12,000)</u>	<u>\$ 124,000</u>	<u>\$ -0-</u>

Long-term liabilities for the year ended December 31, 2004 are as follows:

	Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004	Due Within One Year
Hookup fees payable	\$ 148,000		\$ (12,000)	\$ 136,000	
Total long-term debt	<u>\$ 148,000</u>	<u>\$ -0-</u>	<u>\$ (12,000)</u>	<u>\$ 136,000</u>	<u>\$ -0-</u>

NOTE 6 – RELATED PARTIES

Wasatch County

The District is a component unit of Wasatch County, but the County did not provide any financial support to the District in 2005. Conversely, in 2005, the District reimbursed the County for salaries paid to the administrative employees of the District and some operational expenses such as postage, permits, and sign printing. Reimbursements to the County for the years ending December 31, 2005 and 2004 totaled \$5,800 and \$4,706, respectively. As of December 31, 2005 and 2004, the District owed Wasatch County \$234 and \$488, respectively, in reimbursements.